

# DEPARTMENT OF TAXATION

## 2017 Fiscal Impact Statement

1. **Patron** Dave A. LaRock

3. **Committee** House Finance

4. **Title** Service Charge on Certain Real Property;  
Exempt Organizations

2. **Bill Number** HB 2475

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

**5. Summary/Purpose:**

This bill would authorize localities to enter into an agreement with the owner of real property to impose the service charge on certain tax exempt real property at a mutually agreed upon annual rate in lieu of imposing the service charge at the rate determined by dividing the locality's expenditures for certain services by the assessed value of real estate in the locality.

Under current law, localities are authorized to impose a service charge on certain property exempted from taxation at a rate based on the assessed value of the tax exempt real estate and the amount the locality expended in the preceding year for furnishing police and fire protection and for collection and disposal of refuse. The cost of public school education is included in determining the service charge for faculty and staff housing of an educational institution.

The effective date of this bill is not specified.

**6. Budget amendment necessary:** No.

**7. Fiscal Impact Estimates are:** Not available. (See Line 8.)

**8. Fiscal implications:**

To the extent that a locality enters into an agreement with an exempt organization to impose the service charge at a mutually agreed upon annual rate instead of the rate determined by dividing the locality's expenditures for certain services by the assessed value of real estate in the locality, this bill would have an unknown impact on local revenues. This bill would have no impact on state revenues.

**9. Specific agency or political subdivisions affected:**

All localities

**10. Technical amendment necessary:** No.

## 11. Other comments:

### Service Charge on Certain Real Property

Under current law, localities are authorized to impose a service charge on certain real property exempted from taxation, including: i) property owned by a political subdivision of the Commonwealth; ii) nonprofit private or public burying grounds or cemeteries; iii) property owned by certain libraries; iv) certain buildings belonging to benevolent and charitable organizations and the land they occupy; and v) property owned by certain organizations exempt from taxation by classification or designation by state law or by local ordinance.

The rate of the service charge is based on the amount the locality expended in the preceding year for furnishing police and fire protection and for collection and disposal of refuse. The cost of public school education is included in determining the service charge for faculty and staff housing of an educational institution. The expenditures for services not provided for the real estate may not be considered in calculating the service charge for such real estate, nor may any expenditures currently funded by another service charge be considered in calculating the service charge.

The service charge may not exceed 50 percent of the real estate tax rate for faculty and staff housing of an educational institution and may not exceed 20 percent for all other property. The rate is applied to the assessed value of the tax exempt real estate to determine the amount of the service charge.

### Proposal

This bill would authorize localities to enter into an agreement with the owner of real property to impose the service charge on certain tax exempt real property at a mutually agreed upon annual rate in lieu of imposing the service charge at the rate determined by dividing the locality's expenditures for certain services by the assessed value of real estate in the locality.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 1/23/2017 AM  
DLAS File Name: HB2475F161